Chinese fabrics, dyeing millers shifting business to Bangladesh

Three exhibitions on garment sector begin in Dhaka

STAR BUSINESS REPORT

CHINESE woven fabric maker Changzhou Edelweiss Printing & Dyeing Co Ltd has been making good business in Bangladesh riding on growing demand from apparel industries, a top official of the company said yesterday.

"Bangladesh is a very promising country for us as our business has been growing at over 100 percent in the last three years," says Md Ibrahim Khalil, assistant general manager of the company.

"We sell five million yards of fabrics worth $12 million a month in Bangladesh," he said.

Khalil was talking to The Daily Star in his stall at the "13th Dhaka International Yarn & Fabrics Show 2018 -- Winter Edition" at International Convention City Bashundhara in the capital.

Two other exhibitions—"Second Dhaka Int'l Denim Show 2018 – Winter Edition" and "30th Dye+Chem Bangladesh 2018 International Expo - Winter Edition"—are taking place on the premises. The four-day fair started yesterday.

Changzhou Edelweiss has been selling the cotton blended stretched woven fabrics in Bangladesh thanks to rising demand from international retailers and brands for this particular kind of fabric for apparel production in the country.

Khalil opened the company's office in Dhaka five years ago, before which it was involved only in bringing products from China to Bangladesh.

"Political stability has helped businesses achieve a rapid growth over the last four years in Bangladesh. The businesses will grow automatically if such stability sustains."

The international retailers and brands always examine the existing political scenario before placing work orders in Bangladesh. The present year is very important for businesses such as retailers, brands and manufacturers as it would see the national election.

Khalil said many fabrics dyeing companies were shifting their businesses from China to Bangladesh, Vietnam, Cambodia and India, as Xi Jinping's administration has imposed stricter laws on running of effluent treatment plants for dyeing purposes.

If Bangladesh can tap this opportunity, it will be highly benefited from the shift of businesses, he said.

Echoing Khalil's words on the business potential in Bangladesh, Andy Shen, general manager of Fanglong Textile, another Chinese fabric maker, said he would also open an office in the country.

Shen, who has been doing business in Bangladesh for the last five years, said his business was growing here while the number of clients spiralling.

He started his business by supplying fabrics to two to three garment makers, and now he plans to serve major foreign buyers.

In the last few years, the price of fabrics fell to a great extent in Bangladesh while production cost saw a rise in China, he also said.

The global consumption of apparel items has also been falling as consumers now prefer spending more on electronic gadgets than on clothing, he said.

After successful achievements of the previous editions, CEMS Global - Conference & Exhibition Management Services Ltd and the Sub-Council of Textile Industry, China jointly organised the show, CEMS said in a statement.

These three events will cater to 350 international exhibitors from over 21 countries, according to the statement.

They are showcasing the latest kind of yarn and fibre, fleece, knitted fabrics, coated artificial fur, artificial leather, denim accessories, embroidery, digital printer, adhesives and dyestuff, it said.

The products are ready-to-use for garment, accessories, industrial use and other various applications, CEMS said.

Amir Hossain Amu, industries minister, inaugurated the event where Chen Wei, charge d'affaires of the Chinese embassy in Bangladesh, and Md Atiqul Islam, president of the Centre of Excellence for Bangladesh Apparel Industry, were also present.

CEMS GLOBAL

Amir Hossain Amu, industries minister, opens three exhibitions on the garment sector—jointly organised by CEMS Global and the Sub-Council of Textile Industry, China—at International Convention City Bashundhara in the capital yesterday.

Wall Street braces for weak forecast from Apple

REUTERS, *San Francisco*

WHEN Apple Inc announces its first-quarter earnings on Thursday, investors will seek signs of whether the company's $999 iPhone X launched last autumn was a Steve Jobs-style hit or, as more analysts suspect, a letdown.

In recent weeks, Wall Street analysts have come to a consensus that iPhone X sales were slower than previously expected for the first quarter that ended in December and may drop off sharply for the March quarter.

Analysts have lowered their expectations for Apple's second- quarter revenue guidance to as low as $60 billion from a previous average of $67 billion.

Combined with concerns about the impact of an imbroglio in which Apple acknowledged slowing down phones with worn-out batteries, the weak iPhone X performance has again raised the question of whether the company can keep up its rapid revenue growth without a new hit product.

With eight different iPhone models priced from $350 to $999 on sale over the holidays, Apple showed that it has moved decisively away from co-founder Jobs' tight lineup of premium-priced products and embraced an iPhone-for-everybody strategy.

Analysts are questioning whether Apple can boost its revenue even as iPhone sales essentially plateau.

"Apple will have to answer the question of what's next," UBS analyst Steven Milunovich wrote in a note to investors. "More services to monetize the base of one billion customers and eventually enhanced [augmented reality] capabilities may be part of the answer."

Analysts still expect Apple to post record revenue, hitting the top of its $87 billion guidance for the holiday quarter. But they have slashed revenue estimates for the March quarter and expect the company to sell fewer iPhones in fiscal 2018 than initially thought.

Bernstein analyst Toni Sacconaghi predicted as few as 220 million iPhones will sell in fiscal 2018, just above the 216.7 million sold in 2017 and well below the 2015 peak of 231.2 million.

BTIG analyst Walter Piecyk spotlighted a steadily lengthening replacement cycle as new iPhones offer only small improvements over prior models. Now that it has become clear that a new battery can give life to an old phone, more customers may choose to delay an upgrade, especially with Apple cutting the price of a battery replacement to $29 from $79.

Analysts still believe Apple will report sales of $272.2 billion for its fiscal 2018, 18.7 percent above its $229.2 billion in fiscal 2017. That will be driven largely by higher average prices paid for iPhones, they said.

But Apple does not give data on specific models, and with the wider lineup, analysts must do more guesswork based on surveys and other tools.

China's young shoppers breathe new life into luxury market

REUTERS, *Shanghai/Hong Kong*

GUO Jiaxi is typical of a new generation in China that is driving a sharp revival in luxury spending: young, female and unafraid to spend.

An accountant in eastern Suzhou, Guo, 24, likes Coach and Louis Vuitton, and has bought Acne Studios scarves, a Daniel Wellington watch and a Mont Blanc belt as gifts. Of an annual salary of 50,000 yuan ($7,898), she spends one-fifth on luxury items.

"Luxury is not a total necessity for me, I suppose, but whenever I've got enough money to spare, then I'll buy," she said.

Guo and her peer group are behind a dramatic spike in luxury spending in China last year, according to consultancy Bain & Co. They are the key demographic for luxury brands from LVMH to Gucci owner Kering and France's Hermes in tapping the world's top luxury consumers.

Their willingness to spend - often more than they can afford - comes with a note of caution. These consumers are typically less loyal to traditional brands, swayed by shifting trends online and increasingly looking for deals.

"Some of these youngsters, even when they don't really have enough funds, they're still going out and buying luxury products," said Huang Yue, 27, who runs the fashion section at the website "Loving Luxury."

Yue added that the shift to millenials, those aged roughly 20-34, had been dramatic. It spurred the rise of new areas such as luxury "streetwear" and sporting attire, which Bain said were behind the recent fast growth.

"In terms of the impact on the market, it's really given it a shot in the arm," Yue said.

Driven by general optimism, attracted by the ease of online shopping and helped along the way by parents who benefited from the country's fast growth and rising home prices, Chinese millennials are buoying the luxury market at home and abroad.

Millennial shoppers pushed the Chinese market up to 142 billion yuan ($22.07 billion) in sales last year, about 20 percent higher than the year before. It is by far the steepest jump in over half a decade of sluggish growth, according to Bain.

Luxury goods purchased in China make up 8 percent of the global total, while Chinese shoppers - who make three-quarters of their luxury purchases overseas - drive 32 percent of sales worldwide.

LVMH's chief executive, Bernard Arnault, said China was a "very dynamic" market in which the Louis Vuitton brand was doing well.

"China has had a good comeback," he told reporters last week. The company has seen a slow recovery in China since a weak start to 2016.

Gucci and cognac maker Remy Cointreau are among other well-known companies citing stronger growth in the market.

Analysts and industry insiders, however, said shoppers were widening the range of brands they looked at, a challenge for some more traditional players.

Tapestry Inc's Coach and British fashion house Burberry both reported weaker ends to last year. Prada – which had seen sales slump in China - has been building partnerships with influential internet personalities and launched an online shop in December.

Online retailers like Alibaba Group Holding Ltd and JD.com have launched their own luxury platforms and lured in brands such as Yves Saint Laurent, Stella McCartney and Alexander McQueen.

"Chinese consumers are going through several changes," Liao Jianwen, chief strategic officer at JD.com, told the Reuters Global Markets Forum at the World Economic Forum in Davos, adding that shoppers now want high-quality products at "competitive prices."

Even as consumers spend more, they are becoming thriftier.

Zhang Xia, 24, an investment professional in the southern metropolis of Chongqing, has bought Dior bags, Louis Vuitton, Bulgari jewelry, and once paid 150,000 yuan ($23,695) for a Piaget watch. She's now less easily won over.

"Increasingly what I'm after now is original patterns and designs," she said, adding that, like Guo, she sometimes gets help paying for her purchases. "It's more about the quality and feel of the product, so if I can find that I won't necessarily choose a luxury brand."

The shift has meant the rise of areas not previously seen as being in the same space as traditional luxury, including casual wear, "streetwear" and even premium sports clothing.

Shoppers are also more willing to buy used goods. That means people making new purchases can sell their goods later, defraying the cost of a big-ticket item.

REUTERS/FILE

A customer checks her luxury goods delivered by a member of JD's VIP delivery team Shang Kai in Beijing's central business area, China.

British PM wants free trade deal with China

REUTERS

British Prime Minister Theresa May speaks during a joint press conference with Chinese Premier Li Keqiang at the Great Hall of the People in Beijing yesterday.

REUTERS, *Wuhan, China*

BRITAIN is seeking a free trade agreement with China, Prime Minister Theresa May said on Wednesday as she flew to the country for talks with Chinese leaders, adding that more should be done immediately to open up market access for British firms.

The ambitious long-term goal of securing a free trade deal with the world's second-largest economy comes as May begins a three-day visit to China accompanied by businesses from sectors where Britain feels it can capitalize on China's growing middle class consumers and rapidly expanding services sector.

"China is a country that we want to do a trade deal with," May told reporters aboard her Royal Air Force jet on the way to Wuhan - a university city where she will announce half a billion pounds worth of education deals. "But, I think that there is more we can be doing in the interim...in terms of looking at potential barriers to trade and the opening up of markets to ensure...British businesses able to do good trade into China."

China accounts for just a small proportion of British exports, 3.1 percent in 2016, compared with 43 percent for the European Union.

While diplomatic sources say China has expressed willingness to talk about a future free trade deal with Britain, formal talks cannot begin until Britain officially leaves the EU next year. Free trade talks typically take many years to conclude.

Britain has also pushed a strong message to Chinese companies that it is fully open for business.

Notable Chinese investments in Britain include the Hinkley C nuclear power station which is being built by China General Nuclear Power Corp and the British arm of France's EDF while British firms such as Rolls Royce have won large deals from Chinese firms to supply items like plane engines.

Both May and senior Chinese officials have restated their commitment to a "golden era" in ties but a row over May's decision to delay approval for the Chinese-funded Hinkley nuclear plant in late 2016 chilled relations.

However, Britain was the first Western country to sign up to the China-backed Asian Infrastructure Investment Bank and Britain sent Finance Minister Philip Hammond to a Beijing summit last year about President Xi Jinping's flagship 'Belt and Road Initiative' - a trillion-dollar infrastructure-led push to build a modern Silk Road.

May said the Belt and Road had huge potential, but cautioned that the project had to be carried out in the proper way. "What I would like to see is ensuring that we have transparency and international standards being adhered to, and I will be discussing that with my Chinese interlocutors," she said.

May also said she would raise the future of Hong Kong in her meetings with Xi, underlining Britain's commitment to the 'one country, two systems' rule in the former British colony.

Britain's last governor in Hong Kong before it was handed back to the Chinese, Chris Patten, had written to May on Monday urging her to raise concerns over the "increasing threats to the basic freedoms, human rights and autonomy" in the territory.

Hong Kong was rocked by pro-democracy protests in 2014 in the largest show of defiance against Beijing rule since 1997. The government has since cracked down on activists, including last week banning one from running in a by-election in March. "We believe that the future of Hong Kong, that one country, two systems future is important. We are committed to that," May said.

"I've raised this in the past with President Xi, and he's shown commitment to that but I will continue to raise it with him."